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TRADE AND DEVELOPMENT BOARD

Ninth Special Session (First Part)

SUMMARY RECORD OF THE 478th MEETING

held at the Palais des Nations, Geneva,
on Monday, 5 September 1977, at 4.55 p.m.

President: Mr. de ALWIS (Sri Lanka)

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OPENING OF THE SESSION

1. The PRESIDENT declared open the ninth special session of the Trade and Development Board, convened for the express purpose of considering the particular problem of the developing countries' indebtedness, which had reached crisis proportions, since according to the secretariat's report on the World Economic Outlook (TD/B/665/Add.1 (Part I)) debt service would absorb 25 per cent of earnings from exports of goods by 1978. The developing countries' situation was not of their own making, it was caused by the worsening of their terms of trade as a result of a decrease in income from exports and steep rises for essential imports. It was in that area that the international community had made the least progress.

2. At the present special session the Board would be reviewing the action taken by the relevant international bodies on Conference resolutions 90 (IV) and 94 (IV), resolution 149 (XVI) of the Board and General Assembly resolution 31/158. Since neither the Conference on International Economic Co-operation nor the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries had reached any agreement on remedial measures, the Board now had the task at its ministerial session of negotiating an acceptable, equitable and just solution.

3. Because of the heavy responsibility on the Board, it had been suggested that every effort should be made to narrow down the issues, if constructive consensus proposals could not be submitted, to enable the ministers to see the problem in its political dimensions as well, and arrive at realistic solutions. It was for that reason that it had been decided to hold the special session in two parts and to convene a second session of the Intergovernmental Group of Experts with guidelines for future work in the context of what could be their contribution to the ministerial session, and on the basis of the report on their first session (TD/B/670). The Group of Experts had expressed the view that the Board should consider the agenda for its second session; he therefore thought it would be advisable to hold a brief meeting at senior officials level immediately before the ministerial session to ensure positive results.

4. At the present session the Board's task was to provide a framework for the ministerial session. Although both the Conference on International Economic Co-operation and the Intergovernmental Group of Experts had failed to reach any agreement, some useful proposals had been made, and it was clear that the developing countries' debt problem concerned all countries and had very wide political, economic and social implications. As agreed by the experts in their report (para. 28) "international co-operation on the means through which debt problems of developing countries were resolved was one of the most important tasks before the international community." With a critical study of those proposals it should be possible to produce new proposals at the ministerial session.

OPENING STATEMENT BY THE SECRETARY-GENERAL OF UNCTAD

5. Mr. COREA (Secretary-General of UNCTAD) said that at the present first part of the ninth special session, the Board had a two-fold task: first, to determine the issues that could usefully be brought to the attention of ministers for deliberation and decision; and secondly, to clarify the issues and prepare the ground for the ministerial session.

6. The provisional agenda to be prepared by the Board at the present session should be kept down to manageable proportions and should concentrate on selected issues in which the involvement of ministers could be of decisive importance. Since it might not be possible at the present time to determine all the issues that might usefully be brought to the attention of ministers, the provisional agenda should retain an element of flexibility to allow for the inclusion of additional items if necessary.

7. There were some issues or items which by prior decision would in any event be taken up at the ministerial level for consideration and decision. Thus, Conference resolution 94 (IV) had referred the whole question of the review of action taken in pursuance of that resolution to the ministerial session of the Board. Again, by decision of the Board at its sixteenth session, the ministerial session should review measures taken in accordance with resolution 98 (IV) concerning the debt and related financial problems of the least developed, the developing island and the land-locked developing countries. The Board had also decided that the draft resolution of the Group of 77 submitted to the fourth session of the Conference (TD/L.124) should be remitted to the ministerial session. In addition, the General Assembly in resolution 31/159 had charged the ministerial session with the task of reaching "agreement on concrete measures to provide an immediate solution to the debt problems of developing countries." Lastly, the Intergovernmental Group of Experts had expressed the view that should the Board at the first part of its ninth special session confirm the arrangements for a second session of the Group, it would be useful if the Board would state what items would be placed on the agenda of the second session.

8. That indicated that the debt problem of the developing countries would loom especially large among the issues facing the ministerial session. The existence of the problem had now been universally recognized, and it was worsening. In 1976 the total debt of the developing countries had stood at about $200 billion, about two-thirds of which represented official debt and the remainder private or commercial debt. In 1976 debt service payments had represented 18 per cent of the exports of the developing countries, excluding the oil-exporting countries. The current account deficit of the developing countries was expected to be about $36 to $39 billion in 1977 and 1978, as compared with about $12 billion in the earlier 1970s. If the developing countries could not finance those deficits by running down reserves or by aid on concessional time, they would have to borrow on conditions that were not always consistent with the requirements of many developing countries.

9. In his opinion, a debt problem should not be considered to exist only in those extreme and hitherto exceptional cases where debtor countries were brought to the brink of default. The problem should be regarded as existing if the burden of servicing imposed such severe constraints on a country's import capacity as to jeopardize even its minimum development objectives. There seemed now to be a better understanding of that fact, and it should be taken into account if sound and satisfactory solutions were to be found.

10. One of the major aspects of the debt problem, apart from the question how to avoid it in the future, related to the steps that could be taken to ease the problems caused by debts already incurred or currently being incurred. The secretariat had never proposed one single solution only for all types of problem.

On the contrary, in all its studies it had endeavoured to differentiate between different types of problems and to suggest appropriate but different solutions. It had pointed out, for example, that the approach to the debt problems of the least developed countries should reflect the fact that the capacity of their economies was too weak to bear the burden of debt service payments. The debt problem of the most seriously affected category of countries reflected the aggravation of adverse external factors that they had been facing in recent times. For the middle income countries the problem was related to the adequacy of access to the private capital markets on suitable conditions.

11. Hitherto there had not been any international consensus on how to approach the debt problem and what form the solutions should take. Some positive developments had occurred which might have an indirect beneficial impact on the debt problem - for example, the expansion of lending facilities of international financial institutions, particularly the International Monetary Fund, the special action programme of $1 billion announced at the International Conference on Economic Co-operation, and the decision that future bilateral official development assistance to the least developed countries should be essentially in the form of grants. Further solutions were needed, however, as was seen in the fact that remedial measures of various kinds had been presented from time to time, and most recently at the International Conference on Economic Co-operation, not only by the developing countries but by developed countries as well. One of the tasks facing the ministerial conference was therefore to bring about a consensus in respect of what should be done.

12. One aspect of the debt problem which should not be ignored was that of the procedure, the principles and the institutional arrangements which would need to be established for dealing with the problem, not just immediately, but over the long term as well. Progress had been made in that respect by the Intergovernmental Group of Experts, whose conclusions constituted a valuable foundation upon which to build the work of UNCTAD in the period to come. At the Conference on International Economic Co-operation, both the developing and the developed market-economy countries had presented alternative texts proposing approaches and solutions. While there were divergences between those texts, it could not be said that there was no common ground. If there was to be a consensus on the debt problem in the near future, it would be necessary to reduce the divergences and widen the area of common ground. He believed that that was a task which could be constructively pursued and could culminate in success, and that the forthcoming ministerial session could give a major impetus to that aspect of the problem by giving political backing and a strong mandate to the secretariat for its future work in that area.

APPOINTMENT OF A RAPPORTEUR

13. The PRESIDENT said that the Rapporteur, Mr. Barona (Mexico) was unable to attend the first part of the ninth special session of the Board and it would be necessary to appoint a replacement.

14. Mr. JARAMILLO (Colombia) proposed that Mr. Delgado (Mexico) be appointed.

15. It was so decided.

The meeting rose at 5.30 p.m.